

Purchasing discount drugs in Canada could save Seattle money

Rami Grunbaum, Editor

The city of Seattle and its employees might be able to save fairly significant pocket change by establishing a program to buy pharmaceuticals in Canada.

The concept will already be familiar to many Northwesterners who travel, sometimes en masse, to purchase their prescription drugs across the border.

Figures presented by Seattle City Councilmember Tom Rasmussen, who chairs the council's health committee, put the potential savings at anywhere from \$250,000 to nearly \$1.4 million, depending on estimates of participation.

The city's total pharmaceuticals tab topped \$7 million in 2002. The goal would be to reduce the cost of long-term, so-called maintenance drugs.

After a recent forum on the subject, the mayor and council are expected to consider the merits of such a program in the coming weeks.

Drugs marketed by U.S. companies are often 30 percent to 50 percent cheaper in Canada, because its government negotiates prices with the manufacturers.

Enacting such a program in Seattle would be controversial, and it may not win any friends in the pharmaceutical industry, which Seattle is courting to populate the dreamed-of biotech hub around South Lake Union.

But the reality is that price arbitrage is a time-honored mechanism of capitalism. If something can be purchased more cheaply elsewhere and brought into a marketplace where higher prices prevail, it is going to happen.

Certainly, there's little merit to the FDA's arguments that purchasing approved drugs in Canada poses safety and health concerns. Buying from an established supplier there is no different than buying from one here -- except the price.

The drug companies will protest that such moves are economically unsustainable -- if everyone bought drugs at Canadian prices rather than the higher U.S. prices, the companies' profits would be undermined and their ability to do cutting-edge research would be compromised, they'll say.

The countervailing argument is that if everyone did that, a new equilibrium of some sort would eventually be worked out. It might prompt revision of the recently passed Medicare drug-benefit program, which effectively forbids the federal government -- the biggest customer for pharmaceuticals -- from bargaining to get a good price. The drug companies might respond by raising their prices in Canada a bit, too.

Ultimately, there would not be a feeling that U.S. consumers are getting gouged, while others are getting something close to a free ride. Until that larger struggle plays out, Seattle might as well help itself to the discount.